

Message Text

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72

ACTION XMB-07

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 5965

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E.O. 11652: N/A

TAGS: ETRD, ETRN, UY

SUBJECT: EXIM LOAN FOR RAILROAD ENGINE RECONSTRUCTION

REF : MONTEVIDEO 3566 DECEMBER6, 1973

PLEASE PASS EXPORT-IMPORT BANK

1. SUMMARY: LOCAL REPRESENTATIVE ALCO ENGINES DIVISION RECEIVED CABLE JANUARY 30 FROM COMPANY STATING THAT IT HAS RECEIVED PRELIMINARY COMMITMENT EX-IM FINANCING FOR \$1.8 MILLION ENGINE RECONSTRUCTION LOAN FOR URUGUAYAN RAILROADS (AFE) AND REQUESTING REPRESENTATIVE WORK WITH EMBASSY TO ASSIST AFE FORMULATE LOAN REQUEST. AFE HAS REQUESTED EX-IM ADVICE ON FORMAT AND CONTENT SUCH REQUEST AND CLARIFICATION ONE CONDITION OF LOAN. ACTION REQUESTED: PLEASE ANSWER QUESTIONS POSED IN THIS TELEGRAM.

2. ALCO CABLE REPEATS CONDITIONS FOR LOAN AS SUBMITTED BY AFE LETTER OF 4 DECEMBER AND AS SUMMARIZED IN MONTEVIDEO 3566 WITH ONE EXCEPTION. AFE SOUGHT REPAYMENT IN SERIES 10 SEMI-ANNUAL INSTALLMENTS FIRST BECOMING DUE ONE YEAR AFTER AVERAGE SHIPPING DATE. ALCO CABLE SETS REPAYMENT SCHEDULE IN 10SEMI-ANNUAL INSTALLMENTS FIRST BECOMING DUE SIX MONTHS AFTER AVERAGE SHIPPING DATE BUT NOT LATER THAN 5 JANUARY 1975. IN MEETING WITH ALCO REPRESENTATIVE AND EMBASSY COMMERCIAL OFFICER, AFE OFFICIALS

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EXPRESSED CONCERN THAT SHIPPING DATES COULD BE AFFECTED BY

ACTIONS BEYOND AFE CONTROL (I.E. SCHEDULING DELAYS IN ALCO FACTORY, STRIKES IN FACTORY OR U.S. PORTS, OR OTHER UNFORESEEN PROBLEMS) AND WOULD APPRECIATE FORMULATION WHICH WOULD MAINTAIN AT LEAST SIX MONTHS CREDIT PERIOD FROM SHIPMENT TO FIRST PAYMENT DATE.

3. REQUEST FOR LOAN TO BE SUBMITTED TO EX-IM BANK BY AFE ACCORDING TO ALCO CABLE SHOULD INCLUDE:

- A) PROFIT AND LOSS STATEMENTS FOR 1972 AND 1973
- B) ESTIMATED SHIPPING SCHEDULE
- C) COPY OF AFE/ALCO CONTRACT IN ENGLISH
- D) AFE HISTORY AND OPERATIONS
- E) GUARANTEE OF MINISTRY OF FINANCE OR CENTRAL BANK

4. AFE CAN SUBMIT ALL OF ABOVE EXCEPT FOR PROFIT AND LOSS STATEMENT FOR 1973 WHICH WILL NOT BE AVAILABLE FOR SOME MONTHS. THESE STATEMENTS CAN BE SUBMITTED FOR 1967 THROUGH 1972.

5. AFE IS UNCERTAIN AS TO HOW THE REQUIREMENT FOR MINISTRY OF FINANCE GUARANTEE SHOULD BE MET. AFE LAWYER SUGGESTS PROCEDURE FOLLOWED IN GUARANTEEING AFE/ALCO CONTRACT WHICH WAS BY A DECREE ISSUED SEPTEMBER 19, 1969 WITH FOLLOWING CLAUSE:

"5. OTORGASE POR LA PRESENTE RESOLUCION LA GARANTIA DEL ESTADO PARA LAS OBLIGACIONES QUE LA ADMINISTRACION DE FERRO-CARRILES DEL ESTADO CONSTRAIGA EN CUMPLIMIENTO DE LAS PRESENTES DISPOSICIONES. FACULTASE AL SENOR MINISTRO DE HACIENDA PARA SUSCRIBIR EN REPRESENTACION DEL ESTADO LOS DOCUMENTOS DE GARANTIA QUE ESTIME NECESARIOS."

AFE WILL OBTAIN DECREE IN RESPECT TO LOAN CONTAINING PROVISION AND FORWARD IT WITH REQUEST IF IT MEETS CONDITION OF EX-IM BANK. LOAN CONTRACT WOULD CONTAIN GUARANTEE AND BE SIGNED BY MINISTER OF FINANCE IN ACCORDANCE WITH AUTHORITY.

6. AFE ALSO WISHES KNOW FORMAT OF LOAN REQUEST. WOULD A LETTER FROM AFE PRESIDENT TO EX-IM BANK REQUESTING LOAN AND ATTACHING REQUIRED DOCUMENTATION SUFFICE OR SHOULD SOME STANDARD DOCUMENT OR FORMAT BE USED?

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7. SHIPPING SCHEDULE FOR TEN ENGINES SHOULD PRESENT NO PROBLEMS. FOUR ENGINES ARE PRESENTLY AWAITING RECONSTRUCTION AT FACTORY IN NEW YORK, TWO ARE BEING SHIPPED THIS WEEK AND FOUR IN MID-MARCH. REMAINING PORTION LOAN WILL BE USED FOR SPARE PARTS AND PROBABLY UP TO FIVE ADDITIONAL ENGINES. ALCO REPRESENTATIVE BELIEVES THERE WILL BE EXCELLENT CHANCE NEXT YEAR FOR FOLLOW-ON PROJECT FOR SUBSTANTIAL PORTION OF NEARLY THIRTY ENGINES WHICH

WILL REMAIN FOR RECONSTRUCTION.

8. AFE IS ANXIOUS TO PROCEED RAPIDLY WITH PROJECT AND AN EARLY
REPLY TO QUESTIONS IN THIS TELEGRAM WOULD BE APPRECIATED.
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